



**CITY OF HAYWARD**  
**AGENDA REPORT**

AGENDA DATE 03/14/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS 2

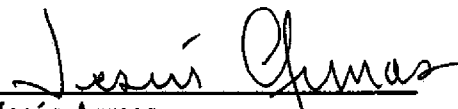
**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT:** Review of City Budget

This worksession is intended to serve three purposes. First, it provides an opportunity for the City Council to hear from the external auditor relative to fiscal year 1998-99. Under separate cover, the Council received copies of the audit for last year, and you are encouraged to bring the documents with you to the meeting, should you have any questions about the information contained therein. A second purpose is to review the status of the current budget. The final objective of the worksession is to afford you an opportunity to comment on the budget for next year.

Each topic is addressed in the accompanying agenda reports.

  
Jesús Armas



## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 03/14/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS2a

**TO:** Mayor and City Council

**FROM:** Finance and Internal Services Director

**SUBJECT:** 1998-99 Management Letter

#### **RECOMMENDATION:**

It is recommended that the City Council review and comment on the following report.

#### **BACKGROUND:**

The City's auditors have completed their report of the City's financial records for the year ended June 30, 1999. Copies of the audited financial statements have been transmitted to Council under separate cover. In addition to the audited statements, the auditors have completed and provided to the City their management letter for 1998-99.

There are two major objectives of the management letter. The first is to advise the Council of any material weaknesses in the City's system of internal financial controls. The second is to communicate to the Council any opportunities for improved controls or efficiencies that the auditors may have noted during the course of their audit. A copy of the auditor's management letter is attached for Council's review. The following discussion contains staff's response to the auditor's management letter for 1998-99.

First, staff is pleased to report that the auditors report no instances of a material weakness in the City's system of financial controls. The auditors have made other recommendations, however, which they believe would be of benefit to the City, if implemented. Staff's response, which follows, summarizes and discusses each of the Auditors recommendations. The recommendations are addressed in the same sequence as contained in the management letter.

Segregation of Duties. The auditors noted that the Accounting Manager had access to the accounts payable module but does not process payments. The auditors are recommending that the Accounting Manager be limited to review or inquiry functions only. Staff agrees that limiting the Accounting Manager's access to review or query functions would be an improvement to internal control. That change has been made and the Accounting Manager is limited to review and query functions only for the accounts payable system.

Trustee Transactions. In this recommendation the auditors are recommending that staff review and monitor trustee transactions more carefully. In particular, one trustee made several errors during the fiscal year. This trustee also allowed the fair market value of assets held as collateral to fall below cost. Staff now confirms on a monthly basis that collateral investments are at or above cost along with expanded monthly review procedures. In addition, staff has formally notified the trustee that they are on a probation status and that their services will be terminated if service does not improve. At the time of this report the trustee has performed satisfactorily. However, staff continues to monitor this area carefully and will appoint a new trustee if the current trustee fails to comply with the terms of the trust agreement.

Recommended by:

Perry H. Carter

Perry H. Carter, Director of Finance & Internal Services

Approved by:

Jesús Armas

Jesús Armas, City Manager

Attachment: Management Letter, 1998-99

**CITY OF HAYWARD  
MANAGEMENT LETTER  
FOR THE YEAR ENDED JUNE 30, 1999**

**M**AZE &  
ASSOCIATES

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ACCOUNTANCY CORPORATION

# MAZE & ASSOCIATES

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October 8, 1999

**ACCOUNTANCY CORPORATION**  
1670 Riviera Avenue - Suite 100  
Walnut Creek, California 94596  
(925) 930-0902 • FAX (925) 930-0135

To the City Council of  
the City of Hayward

Under generally accepted auditing standards, auditors are encouraged to report various matters concerning an entity's internal control structure noted during an audit, and are required to report certain of those matters. Matters that are required to be reported are significant deficiencies in the design or the operation of the internal control structure that, in the auditor's judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

As part of our audit of the financial statements of the City of Hayward for the year ended June 30, 1999, we considered the City's internal control structure in determining the scope of our audit procedures for the purpose of rendering an opinion on the financial statements. While our purpose was not to provide assurances on the internal control structure, certain matters came to our attention that we want to report to you. These matters, along with our recommendations, are described in the accompanying memorandum.

A material weakness is a significant deficiency in which the design or operations of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. However, none of the significant deficiencies described in the accompanying memorandum is believed to be a material weakness.

The accompanying memorandum on internal control structure is intended solely for the use of management and the City Council. This restriction is not intended to limit the distribution of this letter and the accompanying memorandum which, upon acceptance by the City Council, are a matter of public record. To the extent that the City Council intends to rely upon this letter and the accompanying memorandum, such reliance should take into account the limited basis on which our recommendations were developed, as described above, and the limitations inherent in the internal control structure. In addition, the City Council should understand that the criteria used by us in considering the internal control structure could differ significantly from the criteria the City Council may be using for its purpose.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of their work. We would be pleased to discuss these recommendations in greater detail or otherwise assist in their implementation.

Very truly yours,

*Maze & Associates*

## **CITY OF HAYWARD MANAGEMENT LETTER**

### **Segregation of Duties**

As part of this year's audit, we modified our approach by reviewing overall access employees had to assets of the City and access to the financial computer system. The Accounting Manager has access to the accounts payable module but does not process payments. She should be restricted to review or query functions only. In general access should be limited to only those employees processing transactions.

### **Trustee Transactions**

As part of our prior year management letter we included a comment about the increasing frequency of errors being made by trustees. During our interim testing, we noted many errors were made by the trustee such as incorrect or late postings of debt service transfers, lease payment transfers and project costs. In addition, the market value of collateral held by the trustee and which secures the City's interest in investment agreements was well below cost.

We alerted staff to these errors and many were resolved and cleared up prior to our year end work. However, as of June 30, 1999, the market value of collateral held by the trustee was \$275,734 below the cost of the investment agreement which amounted to \$1,158,050. Other clients have continued to experience errors by this trustee as well. We recommend the City contact the trustee and arrange for additional collateral up to the carrying amount of the investment agreements. In addition, staff should routinely review trustee transactions for errors and have them corrected timely.



# **CITY OF HAYWARD**

## **AGENDA REPORT**

AGENDA DATE 03/14/00

AGENDA ITEM \_\_\_\_\_

WORK SESSION ITEM WS2b

**TO:** Mayor and City Council

**FROM:** Finance and Internal Services Director

**SUBJECT:** Mid-Year Budget Review 1999-2000

### **INTRODUCTION:**

Each fiscal year the City Council receives from staff a report reviewing the budget status of the City at mid-year. The report focuses on the General Fund; however, staff reviews all funds of the City in preparing the report. Any other funds, which appear to be departing from budget to a significant degree, are included in the report on an "exception basis".

In addition to reporting on the current fiscal year, the Mid-Year Budget Review has served to identify budget issues that Council would like to see addressed during the budget process for the upcoming fiscal year. This process has worked well as it provides staff with time to develop information with respect to any issues that Council might raise. However, the process is changed somewhat for this year as Council adopted, for the first time in several years, a two-year budget. It should be noted that for various legal reasons and City Charter requirements Council adopted a budget for 1999-2000 and a spending plan for 2000-2001. Council will formally consider and adopt the budget for the second year, 2000-2001, during June of this year.

### **Impact of Two-Year Budget**

There were several objectives that Council wanted to achieve by implementing a two-year budget. First, the priority setting process benefited from the requirement to plan two years out instead of the routine one year. Secondly, there are significant efficiencies associated with a two-year budget. More specifically, the second year, which will be 2000-2001 for this two-year cycle, need only address significant changes that might arise. For example, if a major revenue source is imperiled for the second year, then adjustments and alternatives can be presented to Council. Further, if Council were to approve a new program or objective then that action would not necessitate issuing a new budget document. Instead, any changes authorized by Council would become an addendum to the two-year budget document.

The report, which follows, consists of three main sections: they are an Executive Summary, General Fund Revenues and Expenditures, 1999-2000 and Budget Projection 2000-2001. In addition, the report contains three schedules, which are Schedule, A, Mid-Year Budget Review, Schedule B, General Fund Budget Projection 2000-2001 and Schedule C, Revenues and Expenditures through December 31, 1998 and 1999.

### **EXECUTIVE SUMMARY**

In brief, General Fund revenues are projected to exceed expenditures by approximately \$1.2 million for the year. The amount of projected surplus is relatively minor, about 1.7% of operating revenues. Consequently, for all practical purposes the General Fund budget may be viewed as on target for 1999-2000. While this is good news, there are variances from budget in both the revenue and expenditure areas that should be brought to Council's attention. Consequently, these two major categories are discussed in greater detail in the following sections of the report.

Revenues for the year are anticipated to exceed budget by about 2.1% or \$1.5 million for the year. The major increases are in the revenue categories of Property Tax, Real Property Transfer Tax, Fines and Forfeitures and Motor Vehicle In-Lieu Tax. In the expenditure area, Employee Services will most likely exceed budget while Maintenance and Utilities, Supplies and Services, Capital Expense and Net Interdepartmental Charges and Credits will be on budget. The net effect will be for the General Fund to show a surplus for the fiscal year.

### **GENERAL FUND REVENUES AND EXPENDITURES--1999-2000**

The following section discusses Revenues and Expenditures in greater detail:

#### **Revenues**

Overall revenues are estimated to increase over the 1999-00 budget by approximately \$1.5 million. The following schedule lists the General Fund's Operating Revenues. As can be seen from the schedule the Adjusted Revenue Budget for 1999-00 is \$69.4 million. The Estimated budget for 1999-00 is \$70.8 million. By referring to the Variance column the individual revenue categories which contribute to the difference can be determined.



**City of Hayward  
Mid-Year Budget Review  
General Fund - 1999-00**

	<b>Actual</b>	<b>Adjusted</b>	<b>Estimated</b>	<b>Variance</b>
	<b>1998-99</b>	<b>Budget</b>	<b>1999-00</b>	<b>Positive</b>
		<b>1999-00</b>		<b>(Negative)</b>
<b>REVENUES</b>				
Property Tax	\$ 13,755	\$ 13,230	\$ 14,000	\$ 770
Sales Tax	26,536	26,985	26,985	-
Real Property Transfer Tax	3,501	2,800	3,500	700
Emergency Facilities Tax	1,588	1,600	1,600	-
Supp. Bldg. Const. & Imp. Tax	2,827	3,200	2,500	(700)
All Other Taxes	2,881	2,700	2,700	-
Franchises	4,438	4,146	4,146	-
Licenses & Permits	2,401	2,396	2,396	-
Interest & Rents	248	474	474	-
Fines and Forfeitures	778	460	780	320
Motor Vehicle In-Lieu	5,630	5,253	5,630	377
All Other From Agencies	2,020	1,781	1,781	-
Fees and Service Charges	2,560	1,877	1,877	-
Other Revenue	2,603	2,458	2,458	-
<b>Total Operating Revenue</b>	<b>\$ 71,766</b>	<b>\$ 69,360</b>	<b>\$ 70,827</b>	<b>\$ 1,467</b>

The first revenue category to be adjusted, as shown in the schedule above, is Property Tax. Fortunately, the adjustment is an increase in anticipated revenue of \$770,000. The sustained good economy continues to make its impact felt in this area. Property Tax revenue is made up of several components including payments of delinquent taxes, tax on personal property and supplemental assessments. All of these components are on the upswing resulting in increased revenue. Accordingly, the estimate for 1999-2000 has been revised upward to recognize the continued strength in this area. This revenue source should continue to show steady progress over the next few years.

The next category to consider, even though no change from budget is recommended, is Sales Tax revenue. This revenue has shown growth over the last few years, as would be expected given the performance of the economy. However, for 1999-2000 staff is estimating that budget will not be exceeded. There are two primary reasons for this estimate. First, an optimistic growth factor of 5% was used for the 1999-2000 Sales Tax revenue budget, which tends to minimize the need for adjustment at the mid-point. Secondly, a large taxpayer was audited by the State for the allocation of Sales Tax revenue. The audit resulted in a reallocation of sales tax revenue to the detriment of Hayward. The impact to Hayward is an annual reduction of sales tax revenue of about \$100,000 to \$200,000 per year. The next revenue category to show a major change is the Supplemental Building Construction and Improvement Tax. This revenue source directly

reflects construction activity in Hayward and at the present time, this area is very active. This revenue has shown steady growth over the last few years with 1996-97 posting \$1.2 million, 1997-98, \$1.5 million and 1998-99, \$2.8 million. However, in the current fiscal year this revenue is showing some slow down. At this point staff is estimating revenue at \$2.5 million, or a reduction from budget of \$700,000.

Two other areas, which are estimated to increase over budget, are Fines and Forfeitures and Motor Vehicle In-Lieu. Fines and Forfeitures are being increased for two reasons; more citations being issued and an increase in the fine schedule. Together, these two factors are estimated to increase revenue by \$320,000 for fiscal year 1999-2000. The Motor Vehicle In-Lieu category represents a continuing strong economy and the revenue estimate is being increased to reflect this trend. The new estimated is being pegged at last year's actual revenue, which increases the budget, by \$377,000.

## Expenditures

Shown below is a summary schedule of expenditures. As can be seen in the schedule, Employee Services is estimated to vary from budget while all other categories are expected to meet budget.

### General Fund - 1999-00

(000's)

	Actual 1998-99	Adjusted Budget 1999-00	Estimated 1999-00	Variance Positive (Negative)
<b>EXPENDITURES</b>				
Employee Services	\$ 57,905	\$ 56,474	\$ 56,809	\$ (335)
Maintenance and Utilities	3,669	3,600	3,600	
Supplies and Services	7,905	7,935	7,935	
Capital Expense	608	719	719	
Net Interdept. Charges (Credits)	(2,940)	(2,827)	(2,827)	
	<u>\$ 67,147</u>	<u>\$ 65,901</u>	<u>\$ 66,236</u>	<u>\$ (335)</u>

A review of Employee Services indicates that increased overtime incurred in the Public Safety area is the primary reason for the estimated overage. During the budget process for the current two-year budget, staff reported to Council on overtime costs. More specifically, staff noted that specific procedures would be put into place to address overtime in the 1999-2001 two-year budget. Staff anticipated that it would be possible to reduce overtime for both the Police and Fire departments. Further staff, indicated that reducing Police overtime would be possible in 1999-2000 while it might take longer to see a reduction in the Fire Department. This has proven to be the case up through the mid-year point for 1999-2000. Police overtime has been reduced significantly and it appears that overtime will be at or just slightly over budget for the year.

Reductions in overtime in the Fire Department, however, will require additional time. Staff is anticipating that reductions will occur in the 2000-2001 fiscal year.

One final issue concerning Employee Services is that of pay rate increases that will occur in fiscal year 1999-2000. More specifically, in accordance with certain labor agreements, pay rates will be adjusted in 1999-2000 based on pay rate surveys. These surveys are currently in process and once completed may require increases greater than those estimated for budget purposes. To the extent that this occurs, then the estimates included in this report will be impacted.

Finally, with respect to Maintenance and Utilities, Supplies and Services, Capital Expense and Net Interdepartmental Charges and Credits, staff is estimating that the City will meet budget. However, it is important to note that given the historical expenditure pattern for the General fund, the Maintenance and Utilities and Supplies and Services actual expenditures for 1999-2000 may be under budget. If this is the case, then the savings may offset the estimated negative variance of \$335,000 reported in the schedule above.

#### **GENERAL FUND BUDGET PROJECTION 2000-2001**

During June of this year staff will return to Council with a recommended budget for 2000-2001. As discussed above the recommended budget for 2000-2001 will be the second year of the current two-year budget that Council adopted earlier. However, based on updated information staff may recommend some changes to the second year "spending plan".

For example, certain revenue estimates have been revised for the current fiscal year, 1999-2000. More specifically, estimates for Property Tax, Real Property Transfer Tax and others have been re-estimated. These changes are carried forward to fiscal year 2000-2001 and shown in Schedule B. The impact of these changes, to the original budget for 2000-2001, can be seen in the Revised Proposed Budget 2000-2001 column of Schedule B. The change is in a positive direction and results in Net Revenue of \$1.1 million versus the break-even position originally budgeted. The following is a brief discussion of some of the more significant revenue estimate changes.

Over the past couple of years Property Tax has shown continued growth. A strong real estate market, a construction "boom" and renovations of existing facilities have added to the assessed value base and subsequently revenues. Based on activity through mid-year staff revised the 1999-2000 Property Tax revenue estimate from \$13.2 million to \$14 million. Using this new base the revenue estimate for 2000-2001 has been increased, using a 2% growth factor, to \$14.3 million.

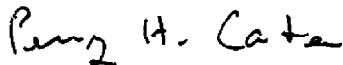
Another revenue that is important to the City is Sales Tax. This revenue source accounts for about 40% of the General Fund's operating revenue. Staff estimates that the revenue budget for Sales Tax will be met for 1999-2000. A growth factor of 4% was used for the 2000-2001 estimate and staff believes that this estimate is still appropriate. Consequently, the sales tax revenue budget for 2000-2001 has not been changed.

A revenue category that has continued to show sustained growth is the Real Property Transfer Tax. Based on collections through mid-year staff estimates that this revenue will exceed budget of \$2.8 million by about \$.7 million to reach \$3.5 million by year-end. Based on this change staff has increased the 2000-2001 revenue estimate from \$2.9 million to \$3.5 million. This is a conservative approach that recognizes the inherent volatility of this revenue source. This revenue is directly dependent on real estate sales in the City of Hayward. Consequently, even a modest downturn would impact this revenue source.

Finally, staff has decreased the revenue estimate for 2000-2001 for the Supplemental Building Construction and Improvement Tax. This revenue source will not meet budget for 1999-2000 and that estimate has been reduced accordingly. Recognizing this trend, staff has reduced the 2000-2001 estimate to the same revised level for 1999-2000, which is 2.5 million. This change results in a revenue decrease of \$.7 million for 2000-2001. This tax is similar to the Real Property Transfer Tax as it is directly dependent on one level of activity and is by nature, volatile. It is possible that the revised revenue estimate of \$2.5 million may be too high. As we approach year-end staff will be able to assess this revenue source more accurately and determine if the estimate should be revised further. The All Other Revenue Category has also been revised for 2000-2001 from \$23.3 to 23.8 million. This change recognizes increases projected for 1999-2000 and carries those increases forward to 2000-2001. The two categories that are impacted are Fines and Forfeitures and Motor Vehicle In-Lieu Tax.

There are other major factors for the 2000-2001 budget that Schedule B does not address, however. For example, the expenditure categories have not been re-estimated. Generally, expenditure budgets are impacted by different factors than those impacting revenues. For example, expenditure budgets may be updated for specific factors such as labor agreements, inflation, changes, changes in programs or other known cost increases. The Revised Proposed Budget 2000-2001 has not attempted to forecast such changes and the expenditure categories have been left as originally estimated.

Recommended by:



Perry H. Carter, Finance Director

Approved by:



Jesús Armas, City Manager

Attachments: Schedules A, B, & C.

City of Hayward  
Mid-Year Budget Review  
General Fund – 1999-00

Schedule A

	(\$000's)			
	Actual 1998-99	Adjusted Budget 1999-00	Estimated 1999-00	Variance Positive (Negative)
<b>REVENUES</b>				
Property Tax	\$ 13,755	\$ 13,230	\$ 14,000	\$ 770
Sales Tax	26,536	26,985	26,985	-
Real Property Transfer Tax	3,501	2,800	3,500	700
Emergency Facilities Tax	1,588	1,600	1,600	-
Supp. Bldg. Const. & Imp. Tax	2,827	3,200	2,500	(700)
All Other Taxes	2,881	2,700	2,700	-
Franchises	4,438	4,146	4,146	-
Licenses and Permits	2,401	2,396	2,396	-
Interest and Rents	248	474	474	-
Fines and Forfeitures	778	460	780	320
Motor Vehicle In-Lieu	5,630	5,253	5,630	377
All Other From Agencies	2,020	1,781	1,781	-
Fees and Service Charges	2,560	1,877	1,877	-
Other Revenue	2,603	2,458	2,458	-
Total Revenue	71,766	69,360	70,827	1,467
Downtown Revitalization Reserve	-	100	100	-
Economic Uncertainty Reserve	-	-	-	-
Total Resources	71,766	69,460	70,927	1,467
<b>EXPENDITURES</b>				
Employee Services	57,905	56,474	56,809	(335)
Maintenance and Utilities	3,669	3,600	3,600	-
Supplies and Services	7,905	7,935	7,935	-
Capital Expense:	608	719	719	-
Net Interdept. Charges (Credits)	(2,940)	(2,827)	(2,827)	-
Total Expenditures	67,147	65,901	66,236	(335)
Operating Revenue (Expense)	4,619	3,559	4,691	1,132
Proceeds of Borrowing	2,900			
Land Acquisition	(5,100)			
Transfers In	4,472	4,051	4,051	-
Transfers (Out)	(6,375)	(7,534)	(7,534)	-
Net Revenue (Expenditure)	\$ 516	\$ 76	\$ 1,208	\$ 1,132

**City of Hayward**  
**Mid-Year Budget Review**  
**General Fund -- Budget Projection -- Summary Schedule**  
**2000-2001**

**Schedule B**

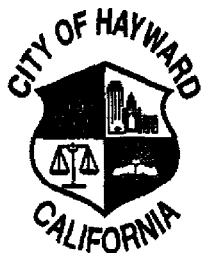
	(\$000's)			
	Adjusted Budget 1999-00	Estimated Budget 1999-00	Proposed Budget 2000-2001	Revised Proposed Budget 2000-2001
<b>REVENUE</b>				
Property Tax	\$ 13,230	\$ 14,000	\$ 13,627	\$ 14,280
Sales Tax	26,985	26,985	28,064	28,064
Real Property Transfer Tax	2,800	3,500	2,900	3,500
Supp. Bldg. Const. & Imp. Tax	3,200	2,500	3,200	2,500
All Other Revenue	23,145	23,842	23,295	23,842
<b>Total Revenue</b>	<b>69,360</b>	<b>70,827</b>	<b>71,086</b>	<b>72,186</b>
<b>Transfers to General Fund</b>				
Transfers In	4,051	4,051	3,996	3,996
1998-99 Reserve for Weekes Branch			500	500
Downtown Revitalization Reserve	100	100		
<b>Total Resources</b>	<b>\$ 73,511</b>	<b>\$ 74,978</b>	<b>\$ 75,582</b>	<b>\$ 76,682</b>
<b>EXPENDITURES</b>				
Employee Services	\$ 56,474	\$ 56,809	\$ 59,564	\$ 59,564
Maintenance & Utilities	3,600	3,600	3,660	3,660
Supplies & Services	7,935	7,935	8,077	8,077
Capital Expense	719	719	601	601
Net Interdepartmental Charges (Credits)	(2,827)	(2,827)	(2,809)	(2,809)
<b>Total Expenditures</b>	<b>65,901</b>	<b>66,236</b>	<b>69,093</b>	<b>69,093</b>
<b>Transfers From General Fund</b>	<b>7,534</b>	<b>7,534</b>	<b>6,450</b>	<b>6,450</b>
<b>Total Funds Required</b>	<b>73,435</b>	<b>73,770</b>	<b>75,543</b>	<b>75,543</b>
<b>Net Revenue (Expenditure)</b>	<b>\$ 76</b>	<b>\$ 1,208</b>	<b>\$ 39</b>	<b>\$ 1,139</b>

City of Hayward  
Mid-Year Budget Review  
Schedule of Revenues and Expenditures  
General Fund 1998-99 and 1999-00

Schedule C

(\$000's)

	Actual 12-31-98	Actual 12-31-99
<b>REVENUES</b>		
Property Tax	\$ 6,931	\$ 7,254
Sales Tax	12,652	12,300
Real Property Transfer Tax	1,287	1,835
Emergency Facilities Tax	655	757
Bldg. Const. & Imp. Tax	1,794	1,118
All Other Taxes	780	901
Franchises	1,249	1,454
Licenses & Permits	1,477	1,381
Interest & Rents	167	119
Fines & Forfeitures	351	307
Motor Vehicle In-Lieu	2,547	2,858
All Other From Agencies	436	1,275
Fees & Service Charges	872	911
Other Revenue	981	630
	<u>\$ 32,179</u>	<u>\$ 33,100</u>
<b>EXPENDITURES</b>		
Employee Services	\$ 28,670	\$ 27,946
Maintenance & Utilities	1,615	1,718
Supplies & Services	3,585	3,999
Capital Expense	153	93
	<u>34,023</u>	<u>33,756</u>
Net Interdepartmental Charges (Credits)	<u>(1,591)</u>	<u>(1,437)</u>
	<u>\$ 32,432</u>	<u>\$ 32,319</u>



## CITY OF HAYWARD AGENDA REPORT

AGENDA DATE 03/14/00

AGENDA ITEM

WORK SESSION ITEM

WS2c

**TO:** Mayor and City Council  
**FROM:** City Manager  
**SUBJECT:** Budget for Fiscal Year 2000-2001

At this time staff is estimating a surplus of approximately \$1.1 million for fiscal year 2000-2001. While this is good news, it must be tempered with the fact that there are several budget uncertainties that have the potential of impacting the budget in a significant manner. One such uncertainty has to do with pay rates. For example, pay rates for certain represented groups will be determined by salary surveys. Preliminary information indicates that these settlements will be in excess of the estimates used to budget salaries in both 1999-2000 and 2000-2001. Once these studies have been completed the budget will have to be adjusted. Staff believes that the pay adjustments may reduce the projected surplus to a breakeven position. This will be tracked closely by staff and will be reflected in the recommended budget.

Another area that may impact estimated costs for 2000-2001 is that of medical benefit costs. This information is currently being obtained and there may be cost increases in excess of original estimates. A second area has to do with fuel costs, as gasoline prices have been volatile and on the rise over the past few months. Already, current prices are in excess of budget and if trends continue there will be a noticeable impact to the budget. Obviously, the updated information will need to be reflected in the recommended budget submitted to you later this spring.

In addition to potential changes to cost, there may also be changes to estimated revenues for 2000-2001. In particular, estimates for Property Tax, Real Property Transfer Tax and Other Revenues have been restated to recognize actual revenue collections through December 31, 1999. These changes are reflected in both the update for 1999-2000 and the projection for 2000-2001.

At this time we are not suggesting any departures to the programs or initiatives previously presented to you as part of the second year budget. When the Council agreed to move in the direction of a two-year budget, it did so with the understanding that, except for unusual or extraordinary circumstances, it would largely adhere to the spending plans as previously presented and approved. The second-year spending remains appropriate and no changes to it are suggested at this time.

  
Jesus Armas, City Manager